

China's Overseas Study Market

Summary

Since the mid-1980s the number of Chinese students studying overseas has grown dramatically, especially in the United States. In recent years however, a dip in the number of Chinese students heading abroad has caused concern on U.S. campuses. Recent data indicate that U.S. universities and colleges still remain the preferred overseas destination. As prospective students learn more about U.S. institutions and receive more accurate information about the U.S. visa process, increasing numbers of Chinese students are expected to enter the U.S. for study.

Market Overview

Over the past three years, more than 114,000 Chinese students have studied abroad annually, up from only 4,900 students in the mid-1980s. China's opening to the outside world after decades of relative isolation, combined with implementation of aggressive economic reforms beginning in the early 1980s, served as the stimulus for the growing wave of Chinese students studying abroad. According to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), China sends more students abroad than any other nation, worldwide.

Having emerged as one of the world's most dynamic economies and boasting rising disposable incomes and high savings rates, many Chinese families are financially able to send their children abroad to be educated. In 2004, Ministry of Education (MOE) statistics indicate that 91.9% of students studying abroad were self-financed with the remaining 6% financed by employers. A recent survey by the Chinese Academy of Social Sciences found that, in 2005, urban Chinese families spent about 12.6% of their savings on education, while rural families spent about 11.2%. Respectively, this is a 4% and 7% growth since 1990. For urban families, education is the 2nd largest cost after food; for rural families, it is the 3rd largest cost after food and housing. In addition to their savings, a growing number of middle-class Chinese families borrow money to finance the overseas education of their only child, as an international degree often ensures young professionals significant advantages in China's increasingly competitive marketplace.

U.S. Market Position

U.S. schools are highly respected for academic excellence, and consequently, the preferred destination for Chinese students in the market for overseas education. The U.S. boasts the most diverse selection of schools worldwide – more than 2,300 degree-granting universities and colleges and 1,800 community colleges. In comparison to other English-speaking countries, the United Kingdom has 228 degree-granting schools, followed by Canada (200), Australia (42), and New Zealand (31). In fact, approximately one-half of Chinese students that studied abroad during the 2003-2004 and 2004-2005 academic years studied in the United States. In the school year of 2004 to 2005, Chinese

students composed the second largest group of foreign students in the U.S. (after Indian students), accounting for 11% of the 565,039 enrolled international students.

Number of Chinese Students Studying Abroad

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006 (est.)
Chinese Students Studying in the United States	63,211	64,757	61,765	62,523	63,000
Total Number of Chinese Students Studying Abroad	83,973	125,179	120,000	114,700	110,000

Note: Statistics from Ministry of Education

As indicated in the chart above, Chinese student enrollment in the U.S. rose 1.2% for the 2004-2005 academic year, rebounding from a 4.6% drop the year before. When this rise is compared with the 4.4% fall in Chinese students studying abroad worldwide during 2004-2005, Chinese students continued interest in U.S. education becomes apparent. Other English-speaking countries, such as Britain and Australia, have witnessed a decline in their respective Chinese student populations, despite promotion efforts.

The rise in Chinese students studying to the U.S. during 2004-2005 also mirrors a recent rise in the number of U.S. visa applications and approvals. In summer 2005, the U.S. Consulate General, Shanghai interviewed 20% more students than during summer 2004. Below are visa figures from the U.S. Embassy and Consulates in China:

Total Student and Non-immigrant Visa Issuances in China (2000 – 2005)

	2000	2001	2002	2003	2004	2005
Total Student Visas (F-1)	18,050	19,081	17,756	12,455	16,168	20,244*
% Change	N/A	5.7%	-6.9%	-29.9%	29.8%	25.2%
Total Non-immigrant Visa Issuances	279,489	269,234	258,090	189,000	236,000	304,374
% Change	26.7%**	-3.7%	-4.1%	-26.8%	24.9%	29.0%

Note: * There were also more than 8,000 exchange visas issued (J-1), some of which included scholars and researchers

** In 1999, there were 220,606 total Non-immigrant visas issued

After a drop in visas issued in 2002, the total number of non-immigrant visas issued has now surpassed 2000 levels. From 2000 to 2005, total student visas issued has been a consistent 6% to 7% of total non-immigrant visas. Student visas issued are expected to rise as the total number of visa applicants is expected to continue growing in 2006. Below is a breakdown of visas issued at the U.S. Consulate General in Shanghai:

**Student Visa Issuances at the U.S. Consulate General, Shanghai
(2001 – 2005)**

	2001	2002	2003	2004	2005
Student Visas (F1)	5,105	5,933	4,822	5,948	6,853
Exchange Visitors (J1)	1,408	1,656	1,601	2,004	2,501
Vocational Students (M1)	11	8	64	150	188
Total Students and Scholars	6,524	7,597	6,487	8,102	9,542
% Change		16.4%	-14.6%	24.9%	17.8%
Total Non-immigrant Visa Issuances	60,262	68,419	50,871	63,064	81,698
% Change		13.5%	-25.6%	24.0%	29.5%

The U.S. Consulate General, Shanghai reports that about seven out of eight student visa applicants were issued visas during the summer of 2005. Additionally, beginning June 20, 2005, the U.S. Embassy in Beijing and the four Consulates General in China began issuing F-1/F-2, J-1/J-2, and M-1/M-2 (vocational training) visas valid for 12 months with multiple entries to qualified applicants.

Competition for U.S. institutions

There are three main sources of competition to U.S. student recruitment in China, but these challenges are not unique to U.S. institutions.

1) The first source of competition comes from other countries that have stepped up their efforts to recruit Chinese students. New Zealand, a country with a population of only four million, had a quota of 50 Chinese students per year just five years ago. Now, after a series of New Zealand government efforts, New Zealand now welcomes more than 5,000 Chinese students each year to its universities. While the absolute number of Chinese students coming to the U.S. has been growing since 2003, total market share is only beginning to recover after a fall from 75% to 52% in 2002. As the U.S. Embassy and Consulates in China continue to promote study in the United States, we encourage U.S. colleges and universities to take steps to improve their China outreach through visits to China and the addition of Chinese-language websites.

2) A second source of competition comes from Chinese Universities themselves. The expansion of the domestic education market has created an increasing number of opportunities for students to pursue higher education without leaving China. Official statistics indicate that 58% of Chinese university candidates (8.67 million total candidates) were admitted in 2005 into a regular undergraduate or postsecondary/technical school, in comparison to only 2.4 percent in 1981. The rise in admitted university candidates is in part due to the growing number of both public and private academic institutions. In 1980, China had 675 institutions of higher education.

By 2005, this number had grown to 1,778 institutions (of which 239 are private universities that provide bachelor, vocational, or associate degrees. There are another 1200 private institutions that do not provide degrees, but can issue certificates of study. As seen from the table below, these colleges and universities have admitted 6.97 million new students. As a whole, the average annual growth of student enrollment into secondary and post-secondary institutions is rising significantly.

China Secondary and Institutions of Higher Education Student Growth Rates
(Number of students in millions)

	2005 Freshman admittance	2000 Freshman admittance	Avg. Annual Growth	2005 total enrollment	2000 total enrollment	Avg. Annual Growth
All Secondary Education*	N/A	N/A	N/A	39.9	25.2	9.64%
Regular High Schools	N/A	N/A	N/A	24.1	12.0	14.93%
All institutions of higher learning**	6.97	3.77	13.10%	23.0	12.29	17.42%
Regular undergraduate or postsecondary/technical college	5.04	2.21	18.00%	16.0***	5.56	37.55%
Graduate schools	0.365	0.129	23.21%	.979	.301	26.58%

Notes: All statistics from Ministry of Education

* Includes regular high schools, adult high schools, regular secondary special schools, vocational high schools, and adult secondary special schools

** Includes colleges/universities, adult colleges, and postsecondary/technical colleges

*** Estimated figure based on 2004 statistics.

In addition to expanding number of opportunities at public and private institutions, the capacity of Chinese universities to deliver higher education is also being enhanced. The Chinese government plans to continue increasing its spending on education to meet China's education needs for the new century. Current budget allocation is 3.41% of gross domestic product and will rise to 4% in the next five years. For Chinese universities, increased spending means increased support for student financing, structural reforms, and education initiatives. Examples of this support are below:

- By the end of 2005, China's Ministry of Education had issued \$2 billion in interest free loans to assist over two million college students from poor families. The Chinese government granted \$123 million in interest-free loans to 1.2 million college students between June 2004 and the end of 2005. By the end of 2005, 14.6% of the students studying in colleges and universities sponsored by the central government had received loans.
- Chinese universities are undergoing consolidation reforms, with smaller institutions being combined into larger and more comprehensive universities under the supervision of the Ministry of Education. These reforms have allowed

institutions to make better use of their resources and to lessen administrative costs.

- Many of the large changes in Chinese higher education are supported by the national government through the “211 Project,” launched in the 1990s, which aims to bring 100 top Chinese universities to world-class standards in terms of capacity and key disciplines crucial to China’s continued development. Local governments also provide support through additional monetary resources and through facilitating construction of suburban campuses and new university towns.

While public universities have traditionally dominated China’s higher education scene, laws passed in the early 1980s began opening the market for private education providers, which expanded opportunities for students excluded from the public university system. Every year, high school students must pass a nationwide university entrance exam to ensure placement at a public university. Typically, failure to pass the exam marked the end of formal education, unless a student was financially able to pursue university education abroad. With the addition of private universities, Chinese students have been given another significant option for study. As of 2005, there were over 1,400 private institutions of higher education, which had admitted almost two million new students. In Shanghai, there are currently 13 private universities. One confers BA degrees, while the others confer associates or vocational degrees. 38,000, or about 10% of Shanghai’s student population, attend private universities.

3) In recent years, Sino-foreign joint schools and degree-granting programs have also made a mark on China’s educational landscape, growing at an extraordinary rate. As of April 2004, there were nearly 140 Ministry of Education approved joint programs with foreign institutions. These programs offer Chinese students the opportunity to pursue a foreign-style education in China across many academic disciplines. These programs are typically priced lower than their U.S. equivalents and also eliminate long absences from home.

As demonstrated by China’s improving education market, students are now presented with a plethora of domestic educational options. While some students will no doubt pursue education in China, others will still be drawn to the international experiences that can only be gained by studying in a foreign country.

Market Trends

Approximately 82% of Chinese students studying in the United States are post-graduate students. However, the number of undergraduate students studying abroad is rising. Chinese students have traditionally gone abroad to pursue studies related to sciences, but are beginning to branch out into other areas including business, economics, and social sciences. In addition to undergraduate and post-graduate students, local recruitment agencies indicate that wealthy Chinese families are beginning to express interest in sending their high school age children abroad for study at private college preparatory

schools. While this segment of China's overseas study market is very small, it is a niche market that will grow as the urban elite in China's major cities continues to expand.

Students at all levels generally obtain information regarding overseas study opportunities from the Internet, agencies, and exhibitions. However, some students, particularly at the undergraduate level, are learning about overseas study through "1-2-1" programs offered at their university. Some Chinese universities together with foreign partners, have designed "1-2-1" articulation agreements that offer Chinese students a two-year study abroad option for undergraduates. Through such arrangements, foreign universities are able to tap into China's market for overseas study for two years of an undergraduate student's four-year academic career. The student completes the first year of undergraduate study in China, followed by two years abroad at the foreign university, after which the student would return to China for the final year of undergraduate study to receive a bachelor's degree. Such a model is increasingly commonplace in universities across China.

Market Access

All students must obtain F-1/F-2, J-1/J-2 or M-1/M-2 visas to study in the United States. University admission officers should be aware of and counsel prospective students on visa procedures affecting travel to the United States. Information pertaining to visa procedures can be found on the U.S. Embassy's webpage:

http://beijing.usembassy-china.org.cn/visa_info.html

School representatives that are visiting Shanghai are also encouraged to attend the Consular Section's "Education Hour". The weekly session offers U.S. educational institutions and exchange organizations opportunities to discuss visa-related procedures and issues (not pertaining to specific applicants) with a Consular Officer. More information pertaining to time and dates can be found at:

http://shanghai.usembassy-china.org.cn/educational_institutions2.html

Market Entry

Well known colleges and universities have greater name recognition and thus, require less active student recruiting programs. However, this is not the case for the majority of U.S. universities and colleges. In a brand conscious market, less well-known schools must implement active and strategic recruitment programs to establish credibility in China's increasingly savvy education market. Access to China's overseas study market is generally accessed through the following channels:

- **Direct Recruitment via Education Fairs**
Schools that opt for direct student recruitment usually participate in any number of China's international and domestic education fairs. Selected fairs target different market segments – i.e. undergraduate versus graduate students, so it is important for U.S. schools to find the fair that better fits their needs.

- **Recruitment via Partner Organization**
Some schools also partner with local universities or recruitment/overseas advising centers to recruit students. As foreign universities have become a magnet for Chinese students, a cottage industry of agencies, brokers and go-between firms has developed. In recent years, the Chinese government has moved to license such companies. CS China can assist U.S. universities in connecting with authorized recruitment agencies and overseas advising centers. These organizations vary in scope, but generally provide information on foreign universities and offer guidance with assessment tests, school application materials, passport, and visa procedures. They can also serve as an active recruitment agent promoting particular foreign universities. Services are provided on either a commission basis or paid by the student. Schools should beware of “visa touts” (unauthorized individuals/organizations that claim to be legal agents) by carefully screening potential partners to ensure that they are actively involved and legitimate student recruiters.

Key Contacts

China Education Association for International Exchange (CEAIE)
www.ceaie.edu.cn

Institute of International Education (IIE)
<http://www.iiehongkong.org/chinese/index.htm>

NAFSA: Association of International Educators
www.china.nafsa.org

Trade Shows

The MBA Tour 2006

Asia July 2006

Asia September 2006

www.thembatour.com

Institute of International Education (IIE)

2006 U.S. Higher Education Fairs

Shanghai – October 17, 2006

Beijing – October 19, 2006

www.iiehongkong.org

China Education Expo 2006 - Vocation and Training Show

Beijing – October 14-15, 2006

Shanghai – October 21-22, 2006

Shenzhen – October 28-29, 2006

www.fairlink.com.cn/education/index.shtml

2007 China International Higher Education Exhibition Tour (CIHEET)

Beijing – March 3 – 4, 2007

Chongqing – March 6 – 7, 2007

Shanghai – March 10 – 11, 2007

Nanjing – March 13 – 14, 2007

Guangzhou – March 17 – 18, 2007

www.cieet.com/cieet/English/web/Welcome.htm

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